

Worksession

Agenda Item #	6
Meeting Date	11 July 2005
Prepared By	Sara Anne Daines HCD Director
Approved By	Barbara B. Matthews City Manager

Discussion Item	Continued Discussion of Requested for Extension of PILOT agreement for Edinburgh House, 7513 Maple Avenue
Background	<p>Montgomery Housing Partnership (MHP), the owner of the Edinburgh House located at 7513 Maple Avenue, has requested an extension of its 1995 PILOT (Payment in Lieu of Taxes) agreement with the City of Takoma Park and a 50% reduction in municipal property taxes for a period of ten years. The request was considered by the Council during its May 31, 2005 worksession.</p> <p>The prior agreement, which expired June 30, 2005, provided a ten-year reduction in municipal property taxes as permitted under the Annotated Code of Maryland.</p> <p>The terms and conditions of the original agreement were as follows:</p> <ul style="list-style-type: none"> • Fifty percent (50%) reduction in real property taxes for the first five years of the agreement (tax levy years 1995-1999) • Twenty-five percent (25%) reduction in real property taxes for the second five years of the agreement (tax levy years 2000-2005) • Continued compliance by MHP with the requirements for exemption set forth in the Annotated Code of Maryland. MHP qualified for the exemption as a 501(c)3 nonprofit which exclusively constructed, operated and managed rental housing. • A total of 50% of the apartments at the Edinburgh House are to be occupied by low and moderate income residents. Specifically, 30% of the units are to be occupied by residents with incomes at or below 60% of the area median income (currently \$46,400 for a two-person household), 20% are to be at or below 50% (\$35,700). PILOT payments are to be adjusted accordingly in the event MHP is unable to meet these requirements. Compliance reports are to be filed annually. <p>Following the May 31, 2005 worksession, staff met with representatives of MHP to review their original request and determine how the agreement could be structured to address the Council's interest in reducing the term of the agreement while ensuring that the housing provided by the organization remains affordable.</p> <p>The following structure was proposed and is presented for the Council's consideration:</p> <ul style="list-style-type: none"> • Fifty percent (50%) reduction in real property taxes for a five-year period with
Background	<ul style="list-style-type: none"> • Fifty percent (50%) reduction in real property taxes for a five-year period with

(continued)	<p>the agreement expiring on June 30, 2010 (tax levy years 2005-2010).</p> <ul style="list-style-type: none"> Fifty percent (50%) of the apartments leased after August 1, 2005 would be occupied by low and/or moderate income residents. Forty of the 45 units (89%) at the Edinburgh House are currently occupied by households with incomes less than 80% of the county median income and would qualify as either low or moderate income. To qualify as a low or moderate income household, a family of two for example, would have an income of less than \$46,400 per year. This figure varies depending upon the number of members of the household. <p>Prior to the execution of the PILOT in 1995, MHP agreed, under a separate memorandum, to forego any rent increases beyond the annual rent allowance for the existing residents. Accumulated rent increases associated with any approved capital improvement rent increase petitions were to be applied upon turnover of the apartment. According to the 2004 Annual Rent Report submitted by MHP, 25 of the original 45 residents at the Edinburgh House remain in place.</p> <p>MHP has requested that this restriction be lifted for all future capital improvement rent increases. As proposed, all tenants, regardless of their initial occupancy date, would be required to pay any capital improvement rent increases approved after June 30, 2005 in addition to the annual rent increases permitted under the rent stabilization ordinance. Staff supports this request.</p>						
Policy	<p>“The City Council of the City of Takoma Park supports the provision, enhancement, and protection of affordable housing opportunities throughout our community for all of our citizenry. Working in cooperation with our residents, community leaders, and housing providers, we will provide staff resources and, when available, financial assistance to programs and projects which further our affordable housing goals. We will offer political support to our partners, endorsing affordable housing efforts of other public entities and nonprofit organizations.”</p> <p>City of Takoma Park Affordable Housing Policy and Action Plan (July 2002)</p>						
Fiscal Impact	<p>Estimated value of requested PILOT based upon information provided by Montgomery County Finance Department</p> <table> <tr> <td>Current Assessment</td><td>\$ 1,428,733.00</td></tr> <tr> <td>100% Property Tax</td><td>\$ 9,429.64</td></tr> <tr> <td>50% PILOT Requested</td><td>\$ 4,714.82</td></tr> </table>	Current Assessment	\$ 1,428,733.00	100% Property Tax	\$ 9,429.64	50% PILOT Requested	\$ 4,714.82
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50% PILOT Requested	\$ 4,714.82						
Attachments	None						
Recommendation	To consider MHP request and provide staff with further direction on how to proceed						
Special Consideration	The proposed ordinance is scheduled to be considered by the Council for adoption on July 18 (1 st reading) and on July 25 (2 nd reading). If approved, the agreement would become effective July 1, 2005.						

